

**STATE OF RHODE ISLAND - DIVISION OF TAXATION
RESEARCH & DEVELOPMENT EXPENSE CREDIT**

For Calendar Year 2001 or years beginning _____, and ending _____ 2002.

READ INSTRUCTIONS ON BACK AND ATTACH TO YOUR RHODE ISLAND RETURN

ATTACH A COPY OF THE FEDERAL CREDIT FOR INCREASING RESEARCH ACTIVITIES - 6765

Employer/Taxpayer Name (s) _____	Identifying Number (SSN or FIEN) _____
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Address: Street _____	City/town _____	State _____
Zip _____		

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- | | | |
|-----|--|-------|
| 1. | Federal Qualified Research Expenses | _____ |
| 2. | Federal Base Amount | _____ |
| 3. | Federal Excess Expenses | _____ |
| 4. | Amount of Federal Excess Expenses in Rhode Island | _____ |
| 5. | Amount of Expenses in Rhode Island after 7/1/94 | _____ |
| 6. | Credit @ (5% for expenditures made from July 1, 1998 through December 31, 1998;
for periods January 1, 1999 and thereafter the rate shall be 22.5% for expenditures
up to \$111,111.00 and 16.9% for expenditures over \$111,111.00) | _____ |
| 7. | Unused R & D Expense Credit from preceding year(s) (Attach Schedule) | _____ |
| 8. | Total Rhode Island R & D Expense Credit Available (Line 6 plus Line 7) | _____ |
| 9. | Tax - (For, RI-1120, Page 1, Line 15; or Form RI-1040 Line 2 less Line 3C;
or Form RI-1040NR Line 2) | _____ |
| 10. | Maximum R & D Expense Credit (50% of Line 9)
Enter on RI 1120, Line 14; or on RI-1040 Line 3C;
or on RI - 1040 NR, Line 3D | _____ |
| 11. | Credit Carryover - Line 8 less Line 10) | _____ |

Refer to instructions on reverse for limitations of the credit used.
Enter on appropriate line of your return.
Attach Federal Credit Form 6765.

STATE OF RHODE ISLAND - DIVISION OF TAXATION

1997 EXCESS RESEARCH AND DEVELOPMENT EXPENSES CREDIT

I. **GENERAL:** The credit is available to corporations, sole proprietors, or passed through from partnerships, joint ventures or subchapter S corporations for the qualified research expenses. The credit is of the excess (if any) of the qualifying research expenses in the taxable year over the base period expenses from 7/1/94 through 12/31/97; for periods 1/1/98 and therefore the rate shall be 22.5% for expenditures up to \$111,111.00 and 16.9% for the remaining expenditures over the \$111,111.00.

II. **DEFINITIONS AND CALCULATION OF THE CREDIT:**

The terms "qualified research expenses" and "base period research expenses" shall have the same meaning as defined in section 41 of the Internal Revenue Code, provided however, that such expenses shall have been incurred in this state after July 1, 1994. The credit is based on the amount of the taxpayer's Federal excess and is calculated by first determining what of the taxpayer's Federal excess were incurred in Rhode Island after July 1, 1994 and then multiplying that amount by the appropriate rate to yield the Rhode Island credit.

SAMPLE: Taxpayer A has completed and claimed its Federal Credit and has qualified research for it Federal Credit of \$100,00; its Federal base amount is \$75,000; all expenses were incurred in Rhode Island and were incurred evenly throughout 1997 and A has a calendar year end. Taxpayer A's 1997 Rhode Island R & D Expense Credit is calculated as:

Federal Qualified Research Expenses	\$100,000
Federal Base Amount	75,000
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Federal Excess Expense	25,000
Amount of Federal Excess Expenses in RI	25,000
Amount of Expenses in RI after July 1, 1994	25,000
Credit @ 5%	\$ 1,250

III. **MINIMUM TAX AND CARRYOVER:** In the case of corporations, the credit allowed shall be reduce the tax due to less than the minimum fixed by section 44-11-2(e); however, if the amount of credit allowable reduces the tax to the minimum fixed by section 44-11-2(e), any amount of credit not used may be carried over a maximum of seven (7) years. For purposes of Chapter 44-30 (Personal Income Tax), if the credit allowed exceeds the taxpayer's tax, the amount of credit not used may be carried over to a maximum of seven (7) years.

IV. **ORDER OF CREDITS:** A . For purposes of determining the order in which carry-overs shall be taken into consideration, the credit allowed by section 44-32-2 (credit for research and development property) shall be used before the credit described in this regulation.

V. **CONSOLIDATED RETURNS:** The credit allowed against the tax of the corporation included in a consolidated return that qualifies for the credit and not against the tax of other corporations that may join in the filing of a consolidated return.

VI. **DIVISION OF THE CREDIT:** In the event the taxpayer is a partnership, join venture or small business corporation, the credit shall be divided in the same manner as income.